

Views from the rooftop

No. 11 November 2018

Formerly *From the Property Pulpit*



A wasted opportunity and an upside

The government's recent budget has probably slipped into the distant memory of most property investors. Little wonder given that there virtually nothing of note to most people involved in the property sector.

It was a golden opportunity to address some of the obvious problems affecting the residential market. The government appears to have decided it has other things it needs to focus on. I wonder what they could be? Brexit perhaps?

The good news is that the Chancellor announced that a consultation would begin on whether housebuilders should be forced to put access to high-speed broadband in all new homes.

He also announced a consultation on providing more affordable homes in the private sector.

Plans to enable councils and housing associations to borrow more money for social housing were also announced. However, these are predicted to result in only 9,000 extra homes by 2024.

£500 million for housing infrastructure, will "unlock" 650,000 homes and partnerships, with nine housing associations to deliver 13,000 more houses sounds good. People have already condemned this as much of the money had been pre-committed.

The Help to Buy equity loan scheme, in which buyers can borrow up to 20% of the value of a new build home, has been extended by two years. The main beneficiaries in the past have been the housebuilders.

He tinkered with stamp duty for first time share ownership buyers and the rules regarding private residence relief on capital gains tax were tightened.

One thing is clear, this Chancellor likes his consultations and plans.

The result of all that is stamp duty is still far too high, housebuilders are feasting on the Help to Buy scheme, planning laws are antiquated and the housing shortage is going to continue.

One upside of the ongoing housing shortage is that, despite Brexit, there is always going to be more demand than supply for housing. One day in the distant future that might change, but don't back on it. In the meantime, there are some great opportunities out there.

Rental income and affordable co-living

On my trip to Hong Kong this month I was mildly surprised by the level of interest for higher income producing properties. It has always been strong, but more people seem to be moving away from capital growth opportunities and focusing on income.

As Bob Dylan once sang: 'The Times They Are A Changin'.

The affordable co-living sector certainly interested people. Many semi-professionals, office worker and tradesmen simply want good quality, conveniently located accommodation that they can afford.

This sector is set to grow substantially as we head into the post-Brexit era and we are ideally positioned to help our clients benefit from this. Exciting times ahead!

Being based in the UK has its upside as I can become much more involved in sourcing our projects etc. However, I hate the winters. I am so looking forward to being 'home' again in HK in January. See you then.

Tony Davies
Managing Director



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(you must read this!)

HK/Asia
Visit:
8th - 18th
January



**HOT
OFF
THE
PRESS**

London in the blues

London's property market is poised to suffer at least five years of stagnation, according to a forecast from Savills, which claims that the likelihood of rising interest rates and chronic issues of affordability will hamper price growth.

Savills' outlook for 2019 to 2023 is that the average house price will rise by 4.5% until 2023, initially dipping by 2% in 2019 before recovering slowly.

It predicts that the north-south divide will be turned on its head, **with the biggest five-year price rises in the North West (21.6%)**, the Midlands and Wales (all 19.3%) and Scotland (18.2%).

The 4.5% forecast for London is more pessimistic than a year ago, when Savills predicted 7.1%.

Prices in the UK as a whole are predicted to rise by 14.8%, adding about £32,000 to the average house value and taking it to £248,086. A 4.5% increase in London would take its average price to £489,628.

London workers need an average of 13 times their salary to afford a property compared with six in the North West, according to the Office of National Statistics (ONS), *so the above is hardly surprising.*



No backbone, indecisive or smart thinking?

Autumn Budget papers reveal that the government intends to charge foreign home buyers 'only' an extra 1% in stamp duty. This is lower than the expected 3% surcharge floated when the policy was announced. *We will let you decide.*

Déjà vu when it comes to loan to earnings ratios

Homebuyers are again being offered huge mortgages leading debt charities to warn that they are being lulled into a false sense of security after more than a decade of low interest rates.

One lender has a mortgage loan-to-earnings ratio of six times salary. Some, including Barclays and Santander, have begun offering loans of up to 5.5 times, whilst others typically offer between 4 and 4.75 times, according to the financial data site Moneyfacts.

Experts say that borrowers with high levels of debt are at serious risk of defaulting on their loans if interest rates rise faster than expected.

However, don't worry, a spokesman for UK Finance, which represents lenders, said: "High loan-to-income mortgages are only likely to be available to those who have good prospects for wage increases, such as those in certain professional roles. Before they are able to offer any mortgage, lenders must undertake a strict affordability assessment in accordance with the rules outlined by the regulator."

The above statement sounds eerily familiar.

That didn't work

The amount of stamp duty paid by some of the wealthiest property buyers has fallen by more than 13% in a year, leading to renewed claims that changes to the tax are slowing the property market.

Figures released by HMRC show that it collected £1.74bn from the higher rate for additional dwellings in the year until September 30. This compares with £2.01bn in the previous 12 months.

This was supposed to be a revenue generator and vote catcher - one hasn't worked so far.

100% mortgages?

Lenders should consider bringing back controversial 100% mortgages to combat falling home ownership rates among young people, according to the Building Societies Association,

This would mean a homebuyer does not need a deposit to purchase a property and could be offered to select customers as a way of reducing the growing reliance on the "bank of mum and dad" in the housing market.

Nick Morrey, of John Charcol, a leading firm of finance brokers said: "Bringing back 100% mortgages is one of the best things to help first-time buyers, mostly because the options they have are so limited."

However, Sir Peter Bottomley, a Tory MP, said. "Anyone who borrows 100% thinking that interest rates will not go up or that the property's price will rise is potentially making a life-changing mistake."

We agree with Sir Peter's views on over extending in terms of loan ratios

Forced out of a job

The chief executive of Persimmon will leave Britain's second largest housebuilder next month following a public outcry surrounding his **£100 million bonus**.

Jeff Fairburn is stepping down at the request of the company after it concluded that persisting controversy surrounding his pay made his position untenable.

The FTSE 100 company has faced fierce criticism over a £100 million payout Mr Fairburn had been due to receive under a long-term incentive plan (Ltip). The share bonus was later cut to £76 million but this did little to quell the furore. *Very decent of them to cut it....*

No more mega homes in prime locations

Anyone hoping to build a “mega home” in central London will need to move quickly after Westminster city council published plans recently to limit the size of new properties from next year.

The council, which oversees some of Britain’s most exclusive neighbourhoods, including Knightsbridge and Mayfair, will refuse planning permission for homes bigger than 150 square metres (1,615 sq ft), about the size of an average four-bedroom house, to preserve space for “real people”.

The plan said that the demands of the “prime market” had to be balanced against “strategic housing need”.

The rules will also ban the super-rich from turning neighbouring properties into one home.

The council has received more than 200 “knock through” applications since 2013, leading to a loss of nearly 300 homes.



A 1,000ft skyscraper nicknamed the Tulip is set to be the tallest building in the City of London.

If approved it will be twice as tall as the Gherkin and 250ft taller than the Heron Tower, the City record holder, but 16ft shy of the Shard, across the Thames in Southwark.

Reaching for the sky

The Tulip, by Foster + Partners, will be London’s first purpose-built viewing platform, with no office space. Its 12-storey bud has a glass “sky bridge”, bars, restaurants and an education space for 20,000 state school pupils a year.

It is expected to attract a million visitors a year. Construction is due to start in 2020 and will take about five years.



Around the globe, well, sort of....

Dubai and the west of Scotland

Sheikh Mohammed bin Rashid al-Maktoum, the ruler of Dubai, needs an extra 36 bedrooms at his estate near the Isle of Skye because his family’s visits are “limited by lack of accommodation”. A planning application has been lodged.

The Sheik bought the estate 20 years ago and has invested in an adjacent 14 bedroom holiday home and a 16 bedroom hunting lodge. There is also a triple helipad for friends and family to use.



Birmingham has over 4,000 residential units under construction in schemes of more than 25 units.

This is a record for the city. There are fears of an over supply, but agents are talking this down given the current demand from local and overseas buyers.

acol
affordable co-living

We are finalizing the formal launch of our co-living/HMO projects, which we believe will be of enormous appeal to our clients.

The properties will be primarily located in the north west of England and will offer shared living at affordable levels for both investors and tenants. They will include shared facilities and en-suited rooms and target the semi-professional rental market. Importantly, they will offer a secure and highly attractive rental income.

Our **acol** properties will have less than five occupants, whereas our **acol+** projects will comprise upwards of thirty rooms and additional facilities. All will trade under the **acol** banner, with us handling all aspects of the process from initial site acquisition through to letting/management and eventual resale.

We are extremely excited to be entering this dynamic and under-serviced market. With our extensive experience in both the development and property management sectors, we are confident the **acol** brand will deliver excellent results for our clients.

For further information please contact us.

Invest in the right property in the right location at the right time for the right price from the right developer/adviser

The five rights of property investment

Did you know?

Landlords will face fines of up to £5,000 if they fail to improve insulation and continue to let out homes with poor energy efficiency.

Rules introduced in April that forced landlords to take steps to improve the energy efficiency of their properties are to be tightened from next year. It will mean that homes rated the least energy efficient cannot be let to new tenants without new insulation and other measures.

Claire Perry, the energy minister, said that about 290,000 properties, or 6% of the domestic lettings market, would benefit.

“While the vast majority of landlords take great pride in the properties they own, a minority still rent out housing that is difficult to keep warm,” she said. “Everyone should be protected against the cold in their own home.”



Majestic Victoria Manchester

Our new project will be ready for occupation in January.

We have only two units left and limited space in our private syndicate for our clients.

If you are interested in a sound investment please contact us for further information

18 apartments

Character building

Classic designs - period features

999 year leases

Good residential area - tree lined street comprising quality homes

Walking distance to Metrolink, bus and train stations

Close to shops, restaurants etc

Strong rental demand and capital growth prospects

6% p.a. net rental guarantee for 2 years

£5,000 Rental Bond per unit to support the guarantee

Unit price - from £110,000

Syndicate opportunity from £30,000

House construction picks up, but is below the previous year

Britain's housebuilders have increased their output over the past three months, with construction companies registering the greatest number of new homes since before the global financial crisis.

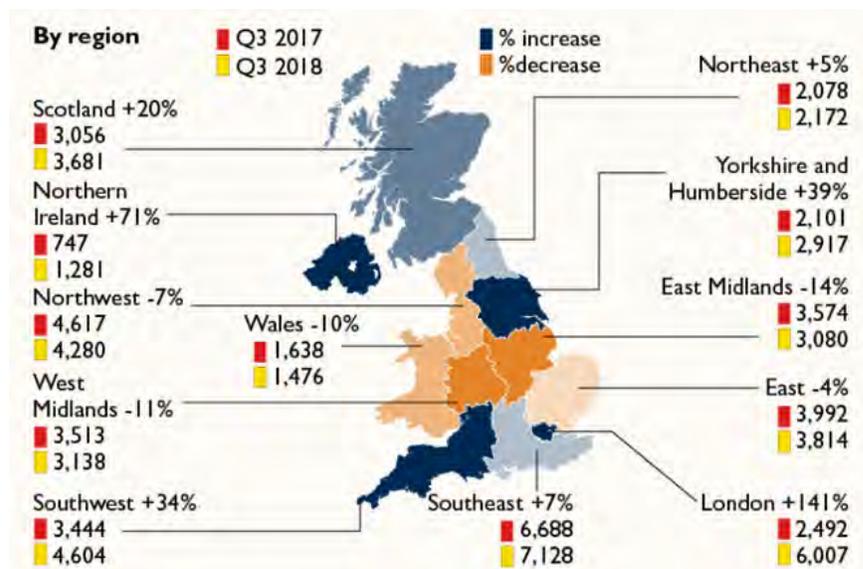
The National House Building Council said that 43,578 new homes had been registered in the third quarter, the highest number of in any quarter since 2007. The number of registrations was 15% higher than in the same period last year.

However, despite the recent surge in building, the July-to-September figure brings registrations for this year to 119,083, less than half the government's target of building 300,000 homes a year by 2025. The total for the three quarters is also below the 120,681 homes built over the same period last year.

The regions experiencing the recent surge in activity include London at 141%, Yorkshire and Humberside with 39%, the South West with 34% and Scotland with 20%.

By comparison, the North West, which includes Greater Manchester and Liverpool, saw a decline of 7%, which will add further pressure to the ongoing housing shortage in those cities.

With a target of 300,000 new homes every year, the current performance is dismally poor. The demand for housing means the pressure on the rental market, resulting in rising rents, is likely to continue for the foreseeable future.



Now for something lighter.....

You can read **'The Allegation'** by leading author Tony Davies on an iPad, and you can buy a hard copy from Amazon or from us. Well, to be honest, 'leading' may be a bit of an exaggeration and no, he is not an estate agent.....



It is a cracking story about the exploits of a private investigator in modern day Hong Kong.

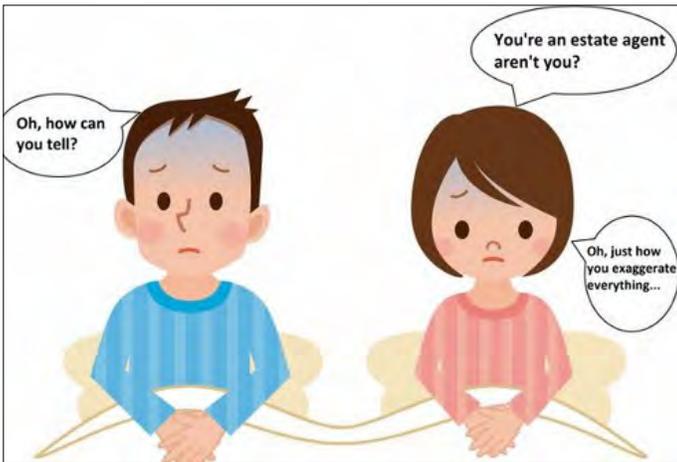
All the proceeds from the book (and the film rights!) go to charity, so if you fancy a good read, please buy a copy.



Many thanks to everyone who spared the time to meet Denessa Chan and Tony Davies when they were in Hong Kong this month. We hope you found it interesting and informative and look forward to meeting you again soon.

Thought of the month

SUCCESS
is finding the balance of
RISK, REWARD, RETURN
and
PROPERTY



The articles and comments contained herein reflect the personal views of the author (our MD).

No offence is intended to any party (Honestly, we promise!)



The Ellis Davies Golf Challenge

The 2018 Ellis Davies Golf Challenge took place this month in Thailand and the Davies family wilted under the hot sun and some superb golf from Mike Ellis. He was simply brilliant! With a grin as wide as the English Channel, he was modest in victory (well, sort of anyway) and put it down to clean living and the ability to handle pressure.

The author was forced to use plastic utensils at the 'celebratory' dinner (no sharp knives allowed anywhere near him) and he rehearsed his forced smile for hours beforehand. He delivered his congratulatory speech in his now familiar style.....

Let me say that in defeat we should smile,
As it's a rare occurrence, cos its been a while.
I thought we played poor, I thought we played crap,
We probably deserve a very big slap.
Not our best week, no reason or rhyme,
The glory to another, who deserves it this time.
But enough of us, it is all about him,
That smooth swinging golfer, who looks ever so trim.
He played like a hero, he played like a star,
His drives always good, if not always that far.
As for his chipping, it was always sublime,
Certainly better than any of mine.
Of course, his putting was accurate and of the right pace,
It all helped to contribute to the grin on his face.
He deserved his victory, in all of his pomp,
Yet another, in our annual comp.
A worth champion, a worthy victor,
Enough said, its time for a picture.



This newsletter is not an invitation to the general public to invest in a St David private syndicate. For further information on our activities and how you can become a client, please contact us.